UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

J. MICHAEL CHARLES; MAURICE W. WARD, JR.; and JOSEPH I. FINK, JR., on behalf of themselves and all others similarly situated, Plaintiffs, v. PEPCO HOLDINGS, INC; CONECTIV, and PEPCO HOLDINGS RETIREMENT PLAN, Defendants.	)	C. A. NO. 05-702 (SLR) (Lead Case)

NOTICE OF DEPOSITION AND SUBPOENA

TO ALL PARTIES AND THEIR ATTORNEYS OF RECORD:

PLEASE TAKE NOTICE that pursuant to Rules 26, 30 and 45 of the Federal Rules of Civil Procedure, Plaintiffs in the above-captioned action, by and through their undersigned attorneys, will take the deposition of Karen Francks.

The attached subpoena was served on Karen Francks by delivery to Kay Kyungsun Yu of Pepper Hamilton LLP on August 15, 2007 via electronic mail, pursuant to agreement among the parties, commanding Karen Francks to produce for copying and inspection on August 27, 2007 the documents identified by Exhibit A to the attached subpoena and to appear to testify by deposition on August 27, 2007 at 10:00 a.m.

The deposition of Ms. Francks will be taken on August 27, 2007 beginning at 10:00 a.m. and continuing until its completion. The deposition will be taken at the offices of Pepper Hamilton, LLP, Hercules Plaza, Suite 5100, 1313 Market Street, Wilmington, DE 19899.

EXHIBIT
P-50
8/27/07

PLEASE TAKE FURTHER NOTICE that the deposition will be recorded by stenographic means.

Dated: August 15, 2007

CHIMICLES & TIKELLIS LLP

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Robert J. Kriner (#2546)
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Attorneys for Plaintiffs

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AO88 (Rev. 12/06) Subpoena in a Civil Case

Issued by the

UNITED STATES DISTRICT COURT

DISTRICT OF DELAWARE

J. MICHAEL CHARLES, et al.

V.

PEPCO HOLDINGS, INC., et al.

SUBPOENA IN A CIVIL CASE

Case Number:[1] 05-702 (SLR)

TO: Karen Francks
Pepco Holdings, Inc., Human Resources Department
800 North King Street
Wilmington, DE 19801

☐ YOU ARE COMMANDED to appear in the United States District court at the place, date, and time specified below to testify in the above case.

PLACE OF TESTIMONY	COURTROOM
	DATE AND TIME

☑ YOU ARE COMMANDED to appear at the place, date, and time specified below to testify at the taking of a deposition in the above case.

PLACE OF DEPOSITION	DATE AND TIME
Pepper Hamilton LLP Hercules Plaza, Suite 5100, 1313 Market Street, Wilmington, DE 19899	8/27/2007 10:00 am

☑ YOU ARE COMMANDED to produce and permit inspection and copying of the following documents or objects at the place, date, and time specified below (list documents or objects):

SEE EXHIBIT A

PLACE	DATE AND TIME
Pepper Hamilton LLP Hercules Plaza, Suite 5100, 1313 Market Street, Wilmington, DE 19899	8/27/2007 10:00 am

☐ YOU ARE COMMANDED to permit inspection of the following premises at the date and time specified below.

PREMISES	DATE AND TIME

Any organization not a party to this suit that is subpoenaed for the taking of a deposition shall designate one or more officers, directors, or managing agents, or other persons who consent to testify on its behalf, and may set forth, for each person designated, the matters on which the person will testify. Federal Rules of Civil Procedure, 30(b)(6).

ISSUING OFFICER'S SIGNATURE AND TITLE (INDICATE IF ATTORNEY FOR PLAINTIFF OR DEFENDANT)	DATE
A. Zachary Naylor ATTORNEY FOR PLAINTIFF	8/15/07

ISSUING OFFICER'S NAME, ADDRESS AND PHONE NUMBER
A. Zachary Naylor, Esquire
Chimicles & Tikellis LLP, One Rodney Square, Wilmington, DE 19899 (302) 656-2500

(See Rule 45, Federal Rules of Civil Procedure, Subdivisions (c), (d), and (e), on next page)

[1] If action is pending in district other than district of issuance, state district under case number.

PROOF OF SERVICE

	DATE	PLACE
SERVED	8/15/07	upon Kay Kyungsun Yu, Esq. by e-mail pursuant to agreement

SERVED ON (PRINT NAME)	MANNER OF SERVICE
Kay Kyungsun Yu, Pepper Hamilton LLP	by e-mail pursuant to agreement of the parties
SERVED BY (PRINT NAME)	**TITLE**
A. Zachary Naylor	Attorney for Plaintiff

DECLARATION OF SERVER

I declare under penalty of perjury under the laws of the United States of America that the foregoing information contained in the Proof of Service is true and correct.

Executed on 8/15/07
DATE

A. Zachary Naylor
SIGNATURE OF SERVER

Chimicles + Tikellis LLP
ADDRESS OF SERVER

One Rodney Square, Wilmington DE 19801

Rule 45, Federal Rules of Civil Procedure, Subdivisions (c), (d), and (e), as amended on December 1, 2006:

(c) PROTECTION OF PERSONS SUBJECT TO SUBPOENAS.

(1) A party or an attorney responsible for the issuance and service of a subpoena shall take reasonable steps to avoid imposing undue burden or expense on a person subject to that subpoena. The court on behalf of which the subpoena was issued shall enforce this duty and impose upon the party or attorney in breach of this duty an appropriate sanction, which may include, but is not limited to, lost earnings and a reasonable attorney's fee.

(2) (A) A person commanded to produce and permit inspection, copying, testing, or sampling of designated electronically stored information, books, papers, documents or tangible things, or inspection of premises need not appear in person at the place of production or inspection unless commanded to appear for deposition, hearing or trial.

(B) Subject to paragraph (d)(2) of this rule, a person commanded to produce and permit inspection, copying, testing, or sampling may, within 14 days after service of the subpoena or before the time specified for compliance if such time is less than 14 days after service, serve upon the party or attorney designated in the subpoena written objection to producing any or all of the designated materials or inspection of the premises — or to producing electronically stored information in the form or forms requested. If objection is made, the party serving the subpoena shall not be entitled to inspect, copy, test, or sample the materials or inspect the premises except pursuant to an order of the court by which the subpoena was issued. If objection has been made, the party serving the subpoena may, upon notice to the person commanded to produce, move at any time for an order to compel the production, inspection, copying, testing, or sampling. Such an order to compel shall protect any person who is not a party or an officer of a party from significant expense resulting from the inspection, copying, testing, or sampling commanded.

(3) (A) On timely motion, the court by which a subpoena was issued shall quash or modify the subpoena if it

(i) fails to allow reasonable time for compliance;

(ii) requires a person who is not a party or an officer of a party to travel to a place more than 100 miles from the place where that person resides, is employed or regularly transacts business in person, except that, subject to the provisions of clause (c)(3)(B)(iii) of this rule, such a person may in order to attend trial be commanded to travel from any such place within the state in which the trial is held;

(iii) requires disclosure of privileged or other protected matter and no exception or waiver applies; or

(iv) subjects a person to undue burden.

(B) If a subpoena

(i) requires disclosure of a trade secret or other confidential research, development, or commercial information, or

(ii) requires disclosure of an unretained expert's opinion or information not describing specific events or occurrences in dispute and resulting from the expert's study made not at the request of any party, or

(iii) requires a person who is not a party or an officer of a party to incur substantial expense to travel more than 100 miles to attend trial, the court may, to protect a person subject to or affected by the subpoena, quash or modify the subpoena or, if the party in whose behalf the subpoena is issued shows a substantial need for the testimony or material that cannot be otherwise met without undue hardship and assures that the person to whom the subpoena is addressed will be reasonably compensated, the court may order appearance or production only upon specified conditions.

(d) DUTIES IN RESPONDING TO SUBPOENA.

(1) (A) A person responding to a subpoena to produce documents shall produce them as they are kept in the usual course of business or shall organize and label them to correspond with the categories in the demand.

(B) If a subpoena does not specify the form or forms for producing electronically stored information, a person responding to a subpoena must produce the information in a form or forms in which the person ordinarily maintains it or in a form or forms that are reasonably usable.

(C) A person responding to a subpoena need not produce the same electronically stored information in more than one form.

(D) A person responding to a subpoena need not provide discovery of electronically stored information from sources that the person identifies as not reasonably accessible because of undue burden or cost. On motion to compel discovery or to quash, the person from whom discovery is sought must show that the information sought is not reasonably accessible because of undue burden or cost. If that showing is made, the court may nonetheless order discovery from such sources if the requesting party shows good cause, considering the limitations of Rule 26(b)(2)(C). The court may specify conditions for the discovery.

(2) (A) When information subject to a subpoena is withheld on a claim that it is privileged or subject to protection as trial-preparation materials, the claim shall be made expressly and shall be supported by a description of the nature of the documents, communications, or things not produced that is sufficient to enable the demanding party to contest the claim.

(B) If information is produced in response to a subpoena that is subject to a claim of privilege or of protection as trial-preparation material, the person making the claim may notify any party that received the information of the claim and the basis for it. After being notified, a party must promptly return, sequester, or destroy the specified information and any copies it has and may not use or disclose the information until the claim is resolved. A receiving party may promptly present the information to the court under seal for a determination of the claim. If the receiving party disclosed the information before being notified, it must take reasonable steps to retrieve it. The person who produced the information must preserve the information until the claim is resolved.

(e) CONTEMPT. Failure of any person without adequate excuse to obey a subpoena served upon that person may be deemed a contempt of the court from which the subpoena issued. An adequate cause for failure to obey exists when a subpoena purports to require a nonparty to attend or produce at a place not within the limits provided by clause (ii) of subparagraph (c)(3)(A).

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

J. MICHAEL CHARLES; MAURICE W. WARD, JR.; and JOSEPH I. FINK, JR., on behalf of themselves and all others similarly situated, Plaintiffs, v. PEPCO HOLDINGS, INC; CONECTIV, and PEPCO HOLDINGS RETIREMENT PLAN, Defendants.	C. A. NO. 05-702 (SLR) (Lead Case)

EXHIBIT "A"

I. DEFINITIONS

1. "ACE" shall mean Atlantic City Electric Company, its predecessors and successors, and all of their officers, directors, employees, and agents.

2. "Delmarva" shall mean Delmarva Power & Light Company, its predecessors and successors, and all of their officers, directors, employees, and agents.

3. "ACE Plan" shall mean the Atlantic City Electric Company Retirement Plan.

4. "Delmarva Plan" shall mean the Delmarva Power & Light Company Retirement Plan.

5. "Conversion" shall refer to the transaction or transactions in which the ACE Plan and the Delmarva Plan were merged to form the Conectiv Plan and the Cash Balance Sub-Plan became effective.

6. "Exhibit A" shall refer to the attachment referenced in the Declaration of Karen E. Francks, filed on August 3, 2007 in the above action.

7. "Exhibit B" shall refer to the attachment referenced in the Declaration of Karen E. Francks, filed on August 3, 2007 in the above action.

II. INSTRUCTIONS

The time period covered by the requested documents is from January 1, 1997 to the date of actually responding to these requests to produce, and shall include all documents and information which relate to the relevant time period, or to events and circumstances during such period, even though dated, predated, generated, or received prior to or subsequent to that period.

III. DOCUMENTS REQUESTED

DOCUMENT REQUEST NO. 1.

All Documents and communications reflecting the manner in which Exhibit A and Exhibit B were disseminated to participants in the ACE Plan, the Delmarva Plan and the Conectiv Plan.

DOCUMENT REQUEST NO. 2.

All Documents, communications and/or handwritten notes relating the date or dates when Conectiv issued Exhibit A and Exhibit B.

DOCUMENT REQUEST NO. 3.

All Documents relating to the Identity of all Persons to whom Conectiv issued Exhibit A and Exhibit B.

DOCUMENT REQUEST NO. 3.

All Documents relating to the Identity of all addresses to which Conectiv disseminated Exhibit A and Exhibit B.

Dated: August 15, 2007

CHIMICLES & TIKELLIS LLP

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Attorneys for Plaintiffs

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DELMARVA AND ACE PENSION PLAN
GRANDFATHERED FAQ

This information is designed to help grandfathered employees understand the impact of the upcoming expiration of the 10-year pension grandfathering period for Delmarva Power (Delmarva) and Atlantic City Electric (ACE) management employees.

It's important to note that the impact of the grandfathering affects people differently depending on their specific circumstances such as age, years of service and salary. This information is written in every-day, non-technical language and is designed to respond to the questions from a recent survey of grandfathered employees.

There are Summary Plan Descriptions and Plan Documents for all PHI benefit plans. In case of a conflict between this information and the plan documents, the plan documents control.

For more information, you can call our pension administrator, Vanguard (800-523-1188) or Kathy Snyder (302-454-4397).

Background

On January 1, 1999, Conectiv moved all management employees from their heritage retirement plan into the Conectiv Cash Balance Plan. Every management employee's accrued pension benefit was calculated as of 12/31/98 and moved into the Cash Balance Plan.

In order to ease the impact on employees who were close to retirement eligibility, the Company "grandfathered" employees who either had attained age 50 or had 20 or more years of service as of 12/31/98. All participants had the value of the heritage plan benefit moved into the Cash Balance Sub Plan as of 1/1/99.

If you are grandfathered, you continue to accrue a benefit calculated under the heritage plan formula (ACE or Delmarva) until 12/31/08. When you retire, you are entitled to the benefit calculated under the formula in the Cash Balance or the benefit calculated under the heritage plan, whichever is greater. If you retire after 12/31/08, your Cash Balance benefit will continue to grow, but your accrued benefit under the heritage plan will be frozen (note that if you are under age 65 in the Delmarva plan or under age 55 in the ACE plan as of 12/31/08, your heritage plan benefit will continue to grow because the early retirement reduction will get smaller or disappear). There is no early reduction for the ACE Sub Plan and you are not eligible to receive your benefit before age 55.

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Definitions

The Grandfathering issues are somewhat complex and the definitions below are provided to help ensure that the attached Frequently Asked Questions are fully understood.

1. Single Life Annuity – this form or option of benefit will pay equal monthly benefit payments over your lifetime, with payments ceasing at your death. This is the normal form of distribution under the heritage plans.

2. Qualified Joint and 50% Survivor Annuity – this form of benefit will pay equal monthly benefit payments over your lifetime, with an amount equal to one-half of those payments continuing to your spouse for his or her life upon your death. This survivor annuity will be paid only to the spouse who was married to you on the date your employment terminates.

3. Contingent Annuitant Option - this form of benefit, not available in the Delmarva Sub Plan, will pay reduced equal monthly benefit payments for your lifetime, and your contingent annuitant, who could be any person, not just your spouse, will receive a lifetime benefit if he/she survives you. The survivor benefit is a percentage of the monthly benefit you were receiving, as you elect and the plan allows, and will be the actuarial equivalent of your single life annuity pension benefit.

4. Lump Sum – is a form of benefit where in lieu of all other forms of payment, you may elect to receive your pension paid in one lump sum.

5. Grandfathered Employee – this is a former Delmarva or Atlantic heritage employee who on 12/31/1998 had at least 20 years of service or was age 50 or older.

6. Defined Benefit Plan – our retirement plan is considered a defined benefit plan because there is a fixed amount that an employee will receive at the time of retirement. The fixed amount will be payable in the form of an annuity or lump sum depending upon the rules of the plan. Examples of the defined benefit plan are Delmarva and ACE heritage plans and the Cash Balance Plan. For management employees, all distributions from these plans may be payable in an annuity or in a lump sum.

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Fact Sheet

Fact: Effective 1/1/1999 all management employees participating in the Conectiv Retirement Plans were moved to the Cash Balance plan.

Fact: Management employees with at least 20 years of service or at least 50 years old as of 12/31/98 were designated as "grandfathered" participants.

Fact: All "grandfathered" participants were moved to the Cash Balance plan but continue to accrue a benefit under the terms of the traditional defined benefit plan until 12/31/08, at which time their grandfathered benefit will be frozen.

Fact: The Grandfathering period is 10 years and will end on 12/31/2008.

Fact: At retirement, all grandfathered participant benefits are calculated in both the Cash Balance and their heritage plan.

Fact: At retirement, all grandfathered participants are entitled to the greater of the two calculations, regardless of when they retire.

Fact: All Cash Balance Plan participants have multiple payment options including annuities or a lump sum.

Fact: The Delmarva Sub Plan has no provision for a lump sum payment, but a grandfathered participant may elect a lump sum for the grandfathered Delmarva heritage benefit.

Fact: The lump sum amount may vary based on the 30-Year Treasury Rate in effect at the time of retirement and used in the calculation, as required by the plan document.

Fact: If the 30-Year Treasury Rate increases, the lump sum decreases; if the 30-Year Treasury Rate decreases, the lump sum increases.

Fact: Because of changes in the law, the 30-Year Treasury Rate may be changed to a different benchmark. The IRS has not yet issued guidance on these new rules. Thus, we do not yet know the full impact it will have on the PHI Retirement Plan.

Fact: The early retirement reduction factors are applied at the time of retirement; thus, employees who have not reached full or unreduced retirement as of 12/31/08 may benefit from working past 12/31/08 because their benefit will be subject to a smaller early retirement reduction factor the older they are when they retire or they may experience no reduction.

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DELMARVA AND ACE PENSION PLAN
GRANDFATHERED FAQ

1. Who is a grandfathered management employee?

   A grandfathered management employee is a former Delmarva or ACE heritage employee who as of 12/31/98 either had attained age 50 or had 20 or more years of service. Bargaining Unit Employees who subsequently become Management Employees and met the age or service eligibility requirements for grandfathering as of 1/1/99.

2. If I am a Grandfathered employee, what happens when I retire?

   As a grandfathered employee, you are in the Cash Balance Sub Plan and entitled to the benefit calculated using the benefit formula in effect under your heritage Plan (ACE or Delmarva Sub Plans) -- this is the "grandfathered benefit"—or the benefit calculated using the benefit formula in effect under the Cash Balance Sub Plan, whichever is greater.

3. If I am a Grandfathered employee, what happens to my pension benefit on 12/31/08?

   Your benefit as calculated under the Cash Balance Sub Plan continues to accrue based on your salary, years of service and age. The benefit calculated under the heritage plan (Delmarva & ACE) will be frozen. In other words, it will no longer accrue any additional value in earnings or in years of service. Depending upon your age and service when you elect to retire, the early reduction factor may be eliminated. When you retire, you will still be entitled to the higher benefit as calculated under each of the two sub plans.

4. What is an annuity? What is a lump sum?

   An annuity is the normal benefit paid from a defined benefit pension plan. It is a monthly sum that you will receive for the remainder of your life. It is calculated based on the formula set forth in the defined benefit plan. The PHI plans also provide for a benefit to your spouse (or in some cases, a joint annuitant) after your death. The calculation of your benefits and the joint survivor benefit uses a mortality table to estimate your and your joint annuitant's life expectancy.

   The lump sum is the present-day value of the life annuity. In other words, the plan calculates how much money you would receive over your lifetime in annuity

payments and what is an equal amount if you were to receive that money now and allowed it to earn interest during the remainder of your life. To calculate the present-day value of the annuity, we use assumptions as defined in the plan. One assumption is an interest rate and the other is your life expectancy. For the interest rate we use the US Treasury Bond Rates and for your life expectancy we use a mortality table as defined in the plan documents.

5. What is the difference between the lump sum and the cash balance?

   These terms have caused some confusion. Remember, there are multiple sub plans, the Cash Balance Sub Plan and the traditional defined benefit Delmarva and ACE Sub Plans. The benefit under these plans can be taken in an annuity or a lump sum. For the purpose of these communications, we refer to the "cash balance" as the available benefit under the Cash Balance Sub Plan and the "lump sum" as one distribution option for the benefit calculated using the formula under the employee's heritage Plan (ACE or Delmarva Sub Plans).

6. How can the lump sum change if the annuity amount is frozen?

   The annuity is the normal form of benefit payment. One option under the plans is a lump sum benefit rather than the annuity. The lump sum is a present-day value of the annuity and the plan sets forth the methodology for calculating that lump sum.

   To calculate the lump sum amount, the plan uses a mortality table to estimate the life expectancy of persons your age to determine the total amount of annuity payments you would expect to receive over your lifetime if you were to take the annuity. Of course, it is impossible to know how long each and every pensioner will actually live. Thus, there are laws and regulations to provide guidance to plan sponsors on mortality tables.

   Once the total amount of annuity payments is known, the plan calculates a present-day value of that amount. The present day value is the amount of money in today's dollars that would be equal to the total annuity payments if it earned the same amount of money those dollars would earn if they stayed in the pension trust and it is intended to reflect the cost to the company to provide the benefits if it invested in risk-free assets.

   Of course, it is impossible to know exactly how much the pension trust will earn over time. Thus, there are laws and regulations that provide guidance to plan sponsors on the interest rates that may be used.

   The interest rate used in the Delmarva and ACE Sub Plans is the 30-year Treasury Bond rate. The 30-year Treasury Bond rate is published monthly. In the ACE plan we use the 30-year Treasury Bond rate for the October immediately preceding the

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beginning of the Plan Year in which the Annuity Starting Date occurs. In the Delmarva Sub Plan we use the 30-year Treasury Bond rate that is in effect 60 days prior to your selected retirement date. The mortality tables and the choice of interest rates are stated in the plan documents and have not changed since the creation of the Cash Balance Plan.

7. If I am not age 55 by 12/31/08, what happens to my grandfathered benefit?

   ACE Sub Plan

   If you are not age 55 by 12/31/08, your **annuity** benefit will be calculated as of that date and you will be able to collect your pension when you retire. In the ACE Sub Plan, you can retire on the first of the month after you turn age 55 and complete 5 years of vesting service, without any reduction in benefit. The "value" of the annuity benefit will remain the same (frozen) until you retire.

   However, the lump sum is the present-day value of the annuity and is calculated using an interest rate and the life expectancy of persons your age. Thus, we must know those variables before calculating the dollar value of the lump sum benefits.

   Delmarva Sub Plan

   If you are not age 55 by 12/31/08, your **annuity** benefit will be calculated as of that date and you will be able to collect your pension when you retire. In the Delmarva Sub Plan, you may retire as early as the first of the month following your 55th birthday, but your benefit is reduced for each year under age 65 (or age 60 if you have 20 years of service). In fact, if you decide to retire at age 55 with 20 years of service, your frozen annuity benefit would be reduced by 24%. In other words, the frozen annuity is calculated as if you were to receive that benefit without any reduction and the actual reduction is applied at the time you choose to retire.

   The lump sum is the present-day value of the annuity at the time you retire and is calculated using an interest rate and the life expectancy of persons your age. Thus, we must know those variables before calculating the dollar value of the lump sum benefits.

8. Where is information on the 30-year Treasury Rate published and how often is it updated?

   The 30-year Treasury Rate is published by the IRS monthly. It can be found on the IRS website at http://www.irs.gov/retirement/article/0,,id=96450,00.html. Also, an employee can call Vanguard to get the rate that is in use.

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9. What is the impact of changes to the 30-year Treasury Rate on the lump sum amount?

   There is an inverse impact. In other words, if the interest rate goes up, the lump sum amount comes down. Likewise, if the interest rate goes down, the lump sum amount goes up.

   Remember, the lump sum is a present-day value. The calculation considers your estimated life expectancy (time) and the earning power of that lump sum if it were to stay invested. Thus, if the interest rates are high, there are more earnings over a period of time. If the interest rates are low, there are less earnings.

10. How does the mortality table impact the lump sum calculation?

    The PHI Retirement Plan uses 94 GAR in the lump sum calculation. As mentioned above, the lump sum calculation considers the life expectancy of persons your age. Thus, the longer persons your age are expected to live, the larger your lump sum. Conversely, the older you are, the shorter is your life expectancy and therefore your lump sum is less.

11. Please explain the impact of the early retirement reductions in the Delmarva Sub Plan?

    The grandfathered benefit will freeze, effective 12/31/08. That means that the value of the life annuity at full retirement will be calculated and frozen. That frozen benefit will be available to you when you reach eligibility for full retirement. To qualify for early retirement, you must be at least 55 years old and have at least 15 years of continuous service. If you choose to retire early your annuity will be reduced and the amount or percentage of full retirement is set forth in the Plan document and shown on the chart below.

Age at Retirement		Less than 20 years of service		20 or more years of service
60-64		95%		100%
59		95%		95%
58		90%		90%
57		85%		85%
56		80%		80%
55		76%		76%

NOTE: The chart above reflects the reduction in full year increments. The actual reduction is pro-rated .42% per month that retirement occurs prior to this age.

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12. For DPL employees, does the age penalty for retiring between 55 and 60 continue to decrease for distributions after December 31, 2008?

Yes. The reduction factor used in the calculation of your benefit will be based upon your age at the time you retire.

13. How does the early retirement reduction impact the lump sum?

As explained above, the lump sum is the present-day value of the life annuity. On 12/31/08 your benefit (the life annuity on that date) is frozen. When you retire, any early retirement reductions are factored in resulting in a reduction in your life annuity benefit. The lump sum benefit is the present-day value of the reduced life annuity.

Conversely, the annuity benefit is subject to a smaller early retirement reduction factor each additional year you work until you reach full retirement because the early retirement reductions decrease as your age increases. For example, between ages 55 and 56, the early retirement reduction factor reduces from 24% to 20% and so the life annuity at age 56 is higher than the life annuity at age 55. The lump sum benefit is the present-day value of the life annuity.

14. What retirement benefits options are available to Grandfathered employees?

<u>Delmarva Sub Plan</u>
Lump Sum Option
Single Life Annuity Option
50% Joint & Survivor Annuity Option

<u>ACE Sub Plan</u>

Single Life Annuity Option
Contingent Annuitant Option
Social Security Adjustment Option
Lump Sum Option

15. Can the Company change the plan to eliminate any of the benefits or distribution options such as the lump sum?

Under the law, the Company cannot take away any benefits you have already earned. The Company could change the plan prospectively but currently has no plans to do so. The Pension Protection Act of 2006 may require some changes.

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16. At what point will the Cash Balance Sub Plan benefit equal the frozen grandfathered benefit?

That depends on your earnings, age and years of service. We recognize that the Cash Balance Sub Plan may not be as lucrative as the predecessor traditional defined benefit plans for employees who were older or closer to retirement when the change was made. That is why Conectiv created the 10-year grandfathering period to provide additional protection for those employees who were close to retirement or had more than 20 years of service.

17. This appears to be forcing employees to retire, what about those who want to continue to work?

No employee will be forced to retire. The end of the grandfathering period does not require any employee to terminate employment. Because the expiration of the grandfathering period will impact each employee differently, every grandfathered employee must make the decision about when is the best time to retire. Some factors to consider include:

- The early retirement reductions – some employees may not be eligible for full retirement and therefore subject to the early retirement reductions
- The additional salary earned during the period after 12/31/08
- The annual incentive plan payouts, if applicable
- The additional matching funds in your retirement Savings Plan (401k)
- The richer welfare benefits to active employees such as life, dental and vision.

18. Will the Pension Protection Act of 2006 (PPA) provisions concerning lump sum calculations impact the PHI Retirement Plan?

The PHI Retirement Plan uses the 30-Year Treasury rate in the lump sum calculation. The PPA provides for a gradual shift from the 30-Year Treasury Rate to a Corporate Bond Rate over five years starting in 2008. The PPA also calls for the use of a different mortality table. The IRS is expected to issue guidance on these provisions this summer. The Company is awaiting the IRS guidance and will consider these issues at that time. Employees will receive ample notice of any changes before they occur.

19. What is the impact to the PHI Retirement Plan participants if the Corporate Bond rate is used?

The Corporate Bond Rate is generally higher than the 30-Year Treasury Rate. As explained earlier, as the interest rate increases, the lump sum decreases.

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20. Why would the PPA allow this change?

The Lump sum calculation is an attempt to find the present day value of the monthly annuity. In other words, the total of all of the monthly annuity payments over a lifetime and the present day value of the lump sum should be the same. Of course, it is difficult to estimate that present day value because we cannot easily estimate how much that lump sum will earn over time. PPA has allowed sponsors to shift to the Corporate Bond rate because it is a more reasonable estimate of the earning power of the lump sum amount would have if it remained invested.

21. If I choose not to retire, can I roll over my grandfathered pension to an IRA so it can still gain in value and remain employed?

No, you cannot take a distribution from your pension plan and still remain an active employee unless you are 70-1/2 years old.

22. At what age can I retire and be eligible for retirement health care benefits?

Delmarva Sub Plan – you can retire at age 55 with 15 years of service and receive retiree medical

ACE Sub Plan – you can retire at age 55 with 5 years of service and receive retiree medical

Additionally, employees in the ACE and Delmarva Sub Plans who had attained age 50 on or before 12/31/05 are able to terminate prior to retirement and then join the PHI Welfare Plan for Retirees at age 55 or later, provided they can show continuous coverage from their termination date through the date they expect to begin receiving retiree medical benefits.

23. If the frozen grandfathered pension benefit is greater at the time I retire, am I eligible for both the grandfathered amount through 2008 and the Cash Balance contributions from 2008 through my actual retirement date?

No. You will receive the higher of the value of the Cash Balance pension as of the date you retire or the value of grandfathered plan as of 12/31/08.

24. How can someone get an individual breakdown of what they would receive from each plan at a specific point in time?

You can call Vanguard and request that information. You can also go on the Vanguard Website and run the calculation yourself through the pension estimator.

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The pension estimator will give you the benefit you will receive which is the greater of the two benefits but does not have the ability to show you a comparison.

25. Are there any differences in the medical coverage between the two pension plans?

No, the PHI Retiree Medical Plan applies to all PHI retirees.

26. Will the lump sum value calculations reflect the most up to date actuarial table for life expectancy?

The mortality table used by both the Delmarva and the ACE Sub Plans is the 94 GAR. The Plan Document defines which mortality table must be used and this cannot be changed without amending the plan. The Company has no plans to amend the Plan at this time. Additionally, both IRS and DOL regulations address the issue of pension plan mortality tables and the PHI Plans are in compliance with those regulations. As mentioned above, the PPA may require plan sponsors to change to a different mortality table.

27. How much notice does the Company require to ensure you get your retirement payment as soon as possible after you retire?

We ask that employees provide at least 60 days notice of your intention to retire. You will receive your check (either lump sum or annuity) within 60 to 90 days and in most cases you will receive your check on the first of the month two months after you retire. In other words, if you retire on January 1, your first check should be issued on March 1.

We ask that you inform your supervisor and Vanguard of your intent to retire as early as possible but no later than 60 days. You should also request from Vanguard a pension estimate and an enrollment kit be sent to you.

28. What is the reason behind stopping the transition credits after 35 years of service?

Like any benefit plan there are limits. This is just a limit that was put into place when the Cash Balance Plan was designed.

29. Have there been any changes to the Grandfathered Pension Clause since it was enacted?

No

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

J. MICHAEL CHARLES; MAURICE W. WARD, JR.; and JOSEPH I. FINK, JR., on behalf of themselves and all others similarly situated, Plaintiffs, v. PEPCO HOLDINGS, INC; CONECTIV, and PEPCO HOLDINGS RETIREMENT PLAN, Defendants.	CIV. A. NO. 05-702 (SLR) (Lead Case)

DECLARATION OF KAREN E. FRANCKS

STATE OF DELAWARE :
ss.
COUNTY OF NEW CASTLE :

I, Karen E. Francks, being over 18 years of age, being of sound mind and capable of making this affidavit, and being personally acquainted with the facts described herein, which are true and correct to the best of my knowledge and belief, state the following:

1. I am currently the Manager of Performance, Process & Technology for the People Strategy & Human Resources Department at Defendant Pepco Holdings, Inc.

2. In 1998, I was Manager of the Service Center for the Human Resources Department ("HR") of Defendant Conectiv. My responsibilities included distribution of all HR publications, notices, newsletters, and forms to Conectiv employees.

3. It was Conectiv HR's standard practice in 1998 only to affix postage and home addresses to documents that were mailed to employees' homes.

EXHIBIT
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8/27/07

4. Attached as Exhibit A is a Conectiv HR newsletter titled Facts. Conectiv HR mailed this newsletter to its employees' homes in May 1998.

5. Attached as Exhibit B is a Decision Kit. This Decision Kit was mailed to each employee's home after the Conectiv Board of Directors adopted the cash balance formula but before May 18, 1998.

I hereby declare under penalty of perjury of the laws of the United States that the foregoing is true and correct.

By: Karen E. Francks

Karen E. Francks
Pepco Holdings, Inc.
Human Resources
401 Eagle Run Road
Newark, DE 19702

Dated: July 31, 2007

EXHIBIT A

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facts

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CONECTIV TOTAL REWARDS PROGRAM FINALIZED

During the last several weeks, details of Conectiv's Total Rewards Program for management have been finalized. The new program will cover all Conectiv management employees. Coverage for union employees is subject to collective bargaining.

Over the next few weeks, you'll learn the details of the program and the benefit options available to you. You've *already* received two newsletters giving some background information about the new pension and flexible benefits plans. With this issue of *facts* and the next one, we'll explain more about the program and the decisions you'll be making soon.

In May, you will each receive a personalized "decision kit" that will help you make your flexible benefit elections. We'll also hold group meetings and provide a hotline to answer your questions. (For more on the communications schedule, see the back cover.) Your *Conectiv Flex* benefits will start July 1.

YOUR PAY

Pay is, of course, an important element in the Total Rewards Program. Conectiv has made sure that our *base pay levels are competitive* with what is being paid for similar jobs in general industry in the areas in which we operate. Each employee will be informed about his or her "competitive base opportunity"—that is, the potential base salary for the job over time, *given* sustained solid individual performance.

In addition, all employees not participating in management or business unit variable pay plans will participate in Conectiv's *Variable Pay Opportunity*—our new plan that replaces the former DPL (CPIP) and AE (Corporate Bonus) profit sharing plans. Annual payouts will be based on how well Conectiv as a whole and individual business units achieve pre-established financial goals.

NEW CASH BALANCE PENSION PLAN

Until now, employees of both DPL and AE have been covered by what are known as "final pay" pension plans. The "cash balance" pension plan is a new concept that has two important advantages: it's *easier to understand* than the former plans, and it's totally "*portable*." Both these features support our goal of designing a benefits package that meets the needs of today's more independent, more mobile workforce.

The new cash balance pension plan will take effect January 1, 1999.

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EXHIBIT NO. ____
[illegible] 1/4/07

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Conversion to the New Pension Plan

The *new* cash balance pension plan will cover all Conectiv employees* as of January 1, 1999. Benefits already earned under the former DPL and AE pension plans are *fully protected*, and will be converted to an equivalent cash amount. This will form your "starting balance" under the new plan.

Your starting balance will, in essence, provide you with the lump sum amount you would need today to purchase a lifetime annuity equal to the benefit you've earned to date under your DPL or AE pension plan. The conversion formula will take into account any early retirement and survivor benefits which are part of the current plans.

Later this year, you'll receive a personalized pension statement showing your lump sum "starting balance" under the new plan.

Transition Credits with Ten or More Years' Service

If you have completed between ten and 35 years of service with DPL or AE as of January 1, 1999, you will also be eligible for annual transition credits. This means the company will contribute an additional amount to your pension account each year. Your transition credit percentage depends on your completed service as of January 1, 1999, and remains constant until you have completed 35 years of service. At that point, transition credits stop.

Service as of 1/1/99	Transition Credit (% of Pay)	Service as of 1/1/99	Transition Credit (% of Pay)
10 to 11 years	1%	16 to 19	3%
12 to 15 years	2%	20 years or more	4%

For example, if you have completed 13 years of service as of January 1, 1999, the company will make an additional contribution of 2% of your total pay to your account every year until you complete 35 years of service.

Annual Statements

Each year, you'll receive a personal statement of your pension account which will show the company's contributions (basic amount plus any transition credits), interest credit and total balance, so you'll be able to watch the progress of your account over the years.

* Subject to collective bargaining agreements.

Benefit Easier to Understand

The way the new pension plan works is simple. Each year the company makes a cash contribution equal to a percentage of your total pay, including overtime and bonus, to your individual pension account. Throughout your Conectiv career, your account grows through additional yearly company contributions, plus interest. When you retire, the current cash value of your account is yours.

Over the years, as you watch your pension account grow, you'll have a clearer idea of your own financial position. And you'll be better able to plan for your future.

Portability a Plus

Today, people who work for a single company throughout their careers are in the minority. So being able to transfer accumulated pension credits from one employer to the next is an important plus.

With the new cash balance plan, if you leave Conectiv after you have completed five years of service and are vested, you can transfer your pension account either to your new employer's plan or to your own IRA. Taxes are deferred on the transfer, so your full account can continue growing for the rest of your working years.

Company Contributions and Interest

Conectiv makes all the contributions to your cash balance pension account. These contributions are based on a percentage of your total pay, *including overtime and bonuses*. Contributions increase with age, as shown below. You are not required to contribute to the pension plan.

Age*	Pension Credit (% of Pay)	Age*	Pension Credit (% of Pay)
Under 30	5%	40 to 44	8%
30 to 34	6%	45 to 49	9%
35 to 39	7%	50 and over	10%

The company also credits your account with interest each year based on the current 30-year U.S. Treasury bond rate. This rate changes based on economic conditions. Currently, it is 6%. Historically, it has averaged about 8%.

* Based on your age as of January 1; contributions are prorated if you move to a higher age bracket in mid-year.

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A Quick Look at the New Cash Balance Pension Plan

Company Contributions	• Made annually to your account based on a percentage of pay • Age-related percentage ranges from 5% to 10%
Interest	Credited each year based on the 30-year U.S. Treasury bond rate at the time
Conversion to New Plan	• Benefits accrued under DPL and AE pension plans to be converted to a cash equivalent starting balance under new plan • Starting balance also credited with interest annually (see above)
Transition Credits	With 10 years of service as of 1/1/99, you receive an additional annual company contribution of 1% to 4% of pay
Vesting	Upon completion of five years of service (including service with DPL and AE)
Portability	Totally portable; current value of your account is yours if you leave Conectiv after you are vested
Survivor's Benefit	Full current value of your account is paid to your spouse or beneficiary if you die while actively employed
Payment options at retirement	Lump sum cash option or several lifetime monthly payment options (annuities); cash option can be rolled over to an IRA to continue tax deferral

"Grandfather" Protection for Older and Long Service Employees

Of course, many employees have already worked for most of their careers under the former "final pay" pension plans. For this reason, two groups of people will also continue to be covered by their former plans for the next ten years. They are employees who, as of January 1, 1999:

- have completed 20 years of service, or
- are age 50 or older.

These "grandfathered" employees will have their pensions calculated under both the former and new plans, and will receive whichever value is greater.

Payment Options at Retirement

The new pension plan also gives you a great deal of flexibility when you retire. You may take the full value of your pension in a single lump sum, which you may then roll over, tax deferred, into the investment vehicle you select. Or you may elect guaranteed lifetime monthly payments for yourself or you and your spouse (an "annuity").

Survivor Benefits

The new pension plan provides another advantage in case of your death after you are vested but before retirement. Under the former plans, survivor benefits were payable only to a spouse, and then in an amount equal to about half of your accrued benefit. With the new plan, the *entire* cash value of your pension account would be paid to your beneficiary who, with your spouse's consent, can be anyone you name.

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401(K) SAVINGS PLAN

The 401(k) plan, with its automatic, tax-deferred saving feature, company match and investment options, has become an important part of the retirement benefits package at both DPL and AE. Today, many employees are building a strong financial future for themselves by participating actively in these plans.

Conectiv will also sponsor a 401(k) plan that blends features from both prior plans.

Company Match and Savings Options

Beginning July 1, the Company will match 50% of the first 6% of pay that you save, in the form of Conectiv stock. Making the match in stock helps reinforce one of Conectiv's key goals for our Total Rewards Program—linking employees' interests with the Company's business success. In other words, the better we do financially, as reflected in Conectiv's stock price, the better you will do, too.

You may contribute a total of up to 20% of pay to the plan—up to 15% on a before-tax basis and up to 5% on an after-tax basis.

New Investment Choices

The new 401(k) plan will offer a broader range of investment choices than either the DPL or AE plans. The Vanguard Group, one of the country's largest and most respected mutual fund companies, will be responsible for maintaining account records as well as managing most of the investment funds.

Investment options will include both fixed income and diversified stock funds. In addition, you will have the choice of investing your account in one of two "LifeStrategy" funds that automatically apportion your account among several different funds according to your investment goals.

New 401(k) Investment Options

Stock Funds

- Vanguard Index Trust – 500 Portfolio*
- T. Rowe Price International Stock
- Baron Asset Fund
- Vanguard/PRIMECAP
- Vanguard/Windsor II
- Vanguard Growth & Income Portfolio

LifeStrategy Funds

- Vanguard LifeStrategy Portfolio – Growth Portfolio
- Vanguard LifeStrategy Portfolios – Moderate Growth Portfolio

Fixed Income Funds

- Vanguard Bond Index Fund – Total Bond Market Portfolio
- Vanguard Retirement Savings Trust

Later this spring you'll have the opportunity to learn more about the new investment funds. In August, Vanguard will automatically transfer your investment in current plan funds to comparable new funds, with no tax liability at transfer. You will then be free to make any investment changes you want.

*"Standard & Poor's 500," "S&P 500®," "Standard & Poor's®," "S&P®," and "500" are trademarks of the McGraw-Hill Companies, Inc.

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CONECTIV FLEX

Conectiv Flex, our new flexible benefits program, goes into effect July 1, 1998. *Conectiv Flex* lets you choose the benefits that are right for you from among a broad variety of options. Highlights of your *Conectiv Flex* program follow. You'll receive more details about the program in the next few weeks.

Conectiv Flex Means Advantages for You

With *Conectiv Flex*, you choose the benefits you want each year, and you can change your benefits annually, as your needs change. In this way, Conectiv can be sure it is making the wisest use of the dollars it sets aside each year to pay for benefits. *Conectiv Flex* offers:

- *A range of benefits* from which to choose (see *Highlights*..., right)
- *Cash back*—Conectiv pays the major portion of the cost of coverage under *Conectiv Flex*. Each benefit option has a price tag, depending on the type and level of benefit you choose. If the benefits you choose cost more than the amount Conectiv pays, you pay the difference through payroll deduction—usually on a *before-tax* basis. If the benefits you choose cost *less* than the amount Conectiv pays, you will receive extra dollars in your paycheck as taxable cash.
- *Tax advantages*—With *Conectiv Flex*, you get the advantage of tax breaks permitted by law. For example, amounts you pay toward health care coverage are deducted from your pay on a *before-tax* basis. And, when you participate in a Health Care or a Dependent Care Reimbursement Account, you pay no federal or Social Security taxes on the dollars that go into your account(s) or on the dollars that are reimbursed to you.

FlexPhone Telephone Enrollment

In May, you'll be able to enroll for your *Conectiv Flex* benefits for July 1998-July 1999 using any touch tone phone and the personalized enrollment fact sheet that you will receive.

The FlexPhone system is quick and easy. It ensures privacy and confidentiality using your own Personal Identification Number (PIN). Complete instructions for enrolling by phone will be included with the *Conectiv Flex* decision kit that you'll receive in May.

Watch for the next issue of *facts* to learn more about your *Conectiv Flex* benefit options.

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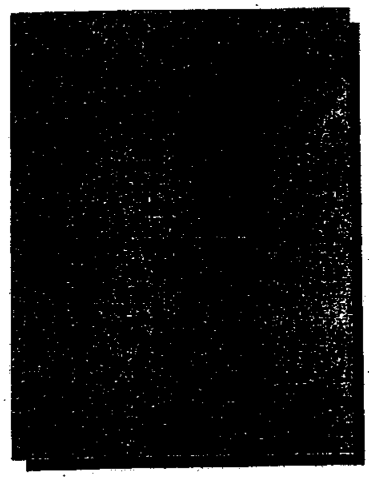

This newsletter covers only the highlights of your Conectiv Total Rewards Program. Details of the plans are contained in the official plan documents. In the case of questions, the documents always govern.

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TOTAL REWARDS COMMUNICATION PLAN

This schedule will give you an idea of what you can expect to hear about the new Total Rewards Program between now and the July 1 effective date.

- 3rd *facts* newsletter (this one) .... April-May
- 4th *facts* newsletter (more details on flexible benefits—medical, dental, life insurance and reimbursement accounts) .... April-May
- 5th *facts* newsletter (more information on the new 401(k) plan) .... May-June
- "Decision Kits" mailed to you .... Mid-May
- Employee meetings and benefits hotline .... April-May
- Enrollment period for flexible benefits .... Mid-May to June 1
- Flex benefits effective date .... July 1

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EXHIBIT B

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Your Conectiv Total Rewards

- Conectiv Flex Enrollment
- Pension/401(k)
- Compensation

Conectiv 1998-99

Got Questions About Total Rewards? Need Help?

Call the Conectiv Human Resource Service Center—HRSC

Please read this decision kit carefully. Then, if you have questions, getting prompt, confidential answers to your Total Rewards questions is as easy as dialing 1-800-201-4718.

Hours for HRSC are 7:30 a.m. to 5:30 p.m., Monday through Friday.

It's As Easy As 1-2-3-4-0

When you dial 1-800-201-4718, you will be given the following five options:

- Press 1 for a list of carriers and their phone numbers.
- Press 2 if you want to enroll for *Conectiv Flex* (you'll be transferred to FlexPhone).
- Press 3 for the HRSC fax numbers and mailing address.
- Press 4 for the HRSC e-mail address.
- Press 0 if you want to speak to a Service Center Representative.

If you Press 0, the Service Center Representative who answers your call will ask you to identify yourself—for example, by providing your Social Security number—in order to assure confidentiality.

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CONTENTS

Conectiv Total Rewards

Your Conectiv Total Rewards Program is a *new* program for a *new* company in a new and emerging business environment. It's designed to be:

- *Competitive.* Both direct pay and benefits compare favorably with programs offered by general industry in our areas.
- *Flexible.* The program meets the demands of today's highly competitive business environment, as well as the needs of an independent and mobile workforce. It lets you tailor your benefits—such as medical, dental and life insurance—to fit your own and your family's needs, now and in the future.
- *Portable.* The new cash balance pension plan lets you accumulate pension credits in an individual, "portable" account, which can go with you if you leave Conectiv after you're vested.
- *Performance Based.* Your Total Rewards are linked directly with Conectiv's success in several ways. Your *Variable Pay Opportunity* can provide an annual payout based on how well Conectiv as a whole and individual Business Groups achieve pre-established goals. And the company's 401(k) matching contribution is made in the form of Conectiv stock—creating another link between Conectiv's results and your rewards.

ABOUT THIS DECISION KIT

This decision kit will help you:

- learn about your Conectiv Total Rewards Program—including your *Conectiv Flex* benefits, your new pension and 401(k) plans; your new direct pay program, and other benefits.
- focus on the *immediate decisions* you have to make to choose the *Conectiv Flex* benefits that are right for you and your family, and
- get ready to enroll in *Conectiv Flex.*

MAKE YOUR *CONECTIV FLEX* ELECTIONS BY MIDNIGHT, MAY 31st.

Making your Conectiv Flex elections is your first priority. You should focus on making your *Conectiv Flex* elections first. Your elections will be effective from July 1, 1998 through June 30, 1999.

You must enroll for Conectiv Flex between May 18 and midnight, May 31, 1998. It's easy to do using FlexPhone—our telephone enrollment system. You'll find a Personal Fact Sheet in the back pocket of this booklet. Instructions for enrolling are on page 19.

You don't have to do anything yet with respect to the new pension or 401(k) plans. Your current 401(k) elections will continue until you change them. (You'll receive information about the new investment funds and how your account will be transferred in the next few months.)

WHO IS COVERED BY TOTAL REWARDS

Total Rewards covers all eligible full-time and part-time Conectiv management employees. Union employees may also be covered subject to the terms of their collective bargaining agreements.

EFFECTIVE DATES

The different parts of your Total Rewards Program take effect as follows:

Plan	Effective On...
Conectiv Flex	July 1, 1998
New 401(k) plan	July 1, 1998 (Your account will be transferred to the new investment options later this year.)
ChoiceRewards	By late summer, 1998
New cash balance pension plan**	January 1, 1999
Vacation, holidays, sick leave, disability**	January 1, 1999
Health Care and Dependent Care Reimbursement Accounts* **	January 1, 1999

* If you made a previous reimbursement account election for 1998, the law does not permit you to change that election in mid-year. See page 13 for details.
** Existing plans will remain in effect until January 1, 1999.

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CONECTIV FLEX—YOUR FLEXIBLE BENEFITS

Conectiv Flex, the new Conectiv flexible benefits program, gives you the opportunity to select the benefits that are best for you. In a very real sense, *Conectiv Flex* allows you to design your own benefits program. *Conectiv Flex* gives you:

- More Choice—You can choose from a wide array of benefits.
- Flexibility—You can change your benefit selections each year, as your needs change.
- Cash Back—Selecting certain benefit options gives you cash back, which could result in extra taxable cash in your paycheck.
- Tax Advantages—The flexible benefits program takes full advantage of the tax breaks permitted by law, helping you get more for your money.

WHO'S ELIGIBLE FOR *CONECTIV FLEX*

Regular full-time and part-time employees are eligible to participate in *Conectiv Flex*. You are considered a full-time employee if you work more than 80% of the normal work schedule — that is, more than 32 hours based on a 40-hour week. Part-time employees are those who are scheduled to work between 50% and 80% of the normal work schedule — that is, 20 to 32 hours of a normal 40-hour week.

You may also enroll your dependents for certain coverages. In general, your eligible dependents are:

- your legal spouse,
- your dependent children to age 19 (through age 23 or beyond if unmarried and a full-time student—see chart below),
- dependent children of any age who live with you and are physically or mentally unable to support themselves (as approved by the carrier).

Eligible children include adopted children, stepchildren, or other children related to you and living with you who are dependent on you for support.

Dependent Children Age Limits

Plan	Child Limit	Full-Time Student Limit
Medical – Standard indemnity option	End of calendar year in which child reaches age 19	Unlimited
Medical – All other options	Same	End of calendar year in which child reaches age 24
Dental – All options	Same	End of calendar year in which child reaches age 25
Vision – All options	Same	End of calendar year in which child reaches age 23
Dependent Life Insurance	Same	End of calendar year in which child reaches age 24
Dependent AD&D	Same	End of calendar year in which child reaches age 24

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Conectiv Couples

You can be covered as an employee or as a dependent, but not both. If both you and your spouse work for Conectiv, you may each enroll for individual coverage or one of you may decline coverage (by contacting the HRSC) and be covered by your spouse's coverage.

HOW *CONECTIV FLEX* WORKS

Under *Conectiv Flex*, each year you will have a range of benefit options from which to choose. You choose only the benefits and levels of coverage that meet your individual needs.

- If you choose a higher level of coverage, you share in the cost through payroll deductions — in many cases on a before-tax basis. Being able to use tax-free dollars is a benefit in itself, since it helps you get more for your money. For more information, see the box below right.
- If you choose a lower level of coverage, you may have dollars left over that you can put toward other benefits or take in your paycheck as taxable cash.

WHEN COVERAGE BEGINS

Benefits you choose under *Conectiv Flex* will be effective from July 1, 1998, through June 30, 1999.

Each year, you'll have an opportunity to make new benefit choices for the following plan year (July through June). (Note: Some restrictions may apply, so be sure to read the description of each plan.) Generally, you may not make changes in your benefits during the year except in the case of a "qualifying life event." See "Making Changes," page 20, for more information.

Reimbursement Account Elections

Unlike the rest of *Conectiv Flex*, your Reimbursement Account elections must be made on a calendar year basis. You will make these elections in November 1998 for the 1999 calendar year.

Paying for Benefits on a Before-Tax Basis

Paying for benefits on a *before-tax basis* means that amounts you pay for benefits are deducted from your pay *before* federal income, Social Security, Medicare and most state and local income taxes are calculated. In effect, benefits you buy with before-tax dollars actually cost you less. Since your contributions are paid before taxes are deducted, your taxes are calculated on a lower amount of pay.

MEDICAL OPTIONS

Here are your medical options:

- Point-of-Service (POS)
- Standard Indemnity Plan
- Basic (Catastrophic) Indemnity Plan
- HMO

Under *Conectiv Flex*, you can choose from several medical plan options, all designed to give you and your eligible family members access to quality care, while helping to manage costs for you and Conectiv. Here are your choices.

POINT-OF-SERVICE (POS) PLAN

The POS plan is administered by Blue Cross Blue Shield or Principal Health Care. Under the POS you have access to a network of health care providers. You and each member of your family select a primary care physician (PCP) from the network who will provide or coordinate all of your health care needs. And, if you need to see a specialist or go to the hospital, your PCP will give you a referral, and will take care of handling all precertification procedures for you. (See the provider directory that is available at your work location for a list of the network physicians and specialists in your area. Make sure that the providers you select are located conveniently for you and your family.)

- When you receive your care through your PCP, you will receive the highest level of benefits. Most services are covered in full after you pay a $10 copayment. When you use your PCP, you also have the advantages of:
  - — benefits for preventive care (such as physical exams, well baby care and immunizations),
  - — no annual deductible,
  - — no claim forms to complete, and
  - — no precertification procedures to follow.
- And the best part is that with the POS, you're not locked in. That's because each time you need medical care — that is, at the "point of service" — you can choose to receive your care through your network PCP or go to any out-of-network doctor. When you use an out-of-network provider, you'll receive a lower level of benefits — that is, most care is covered at 80% of allowable charges after you satisfy an annual deductible. Keep in mind that when you go out of the network:
  - — you have no benefits for preventive care,
  - — you have to satisfy an annual deductible,
  - — you are responsible for precertifying surgery and hospitalization, and
  - — you'll need to submit a claim for reimbursement from the plan.

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Coverage for Working Spouses

If your spouse works and has medical coverage available through his or her employer, your spouse *must enroll* for that coverage. Your spouse's plan will pay benefits first toward his or her medical expenses. If you also enroll your spouse under a Conectiv option, Conectiv's plan will pay second, up to the plan's allowable benefit.

THE STANDARD INDEMNITY PLAN

The standard indemnity plan is administered through Blue Cross Blue Shield. Under the plan, you may use any doctor you choose although you will save money if you use a participating doctor. Each year you're responsible for paying a deductible of $150 (or $300 per family) before the plan begins to pay benefits. After you satisfy the annual deductible, the standard indemnity plan pays 90% of allowable charges for most covered expenses and you pay 10%. For hospitalization, the plan pays 100% of allowable charges for covered expenses. Preventive care is not covered.

THE BASIC (CATASTROPHIC) INDEMNITY PLAN

The basic (catastrophic) indemnity plan, also administered through Blue Cross Blue Shield, is designed to pay benefits *only* in the case of very high medical expenses. Each year you're responsible for paying a deductible of $750 ($1,500 per family) before the plan begins to pay benefits. After you satisfy the annual deductible, the plan pays 70% of most covered expenses, including prescription drugs.

Precertification Is Required

Depending on the plan you choose, you may be required to obtain precertification in advance for certain services—such as hospitalization and surgery. It is your responsibility to call the plan to precertify these expenses. Failure to receive precertification, when required, will result in reduced benefits. Detailed information for each plan is available at your work location.

Hospitalization is covered at 70% and limited to up to 120 days, and you pay 30%. Preventive care is not covered. This plan also has BCBS participating doctors.

HEALTH MAINTENANCE ORGANIZATIONS (HMOS)

As an alternative, you may elect HMO coverage under Aetna US Healthcare or AtlantiCare. Generally, HMOs are independent associations of doctors, hospitals and other health care providers contracted to provide medical care. Under these arrangements, you and each covered dependent must elect a primary care physician (PCP). To receive benefits, all of your care must be provided or coordinated through your PCP. Preventive care is covered, and most services are covered at 100% after you pay a $10 copay.

Under Aetna US Healthcare only, limited benefits are available for out-of-network care. Generally, out-of-network care is covered at 50% of charges after you satisfy the annual deductible.

On the next page is an overview of each of your medical plan options.

Mental Health and Substance Abuse (MH/SA) Benefits

MH/SA benefits under the standard indemnity and POS options are administered through the VBH (Value Behavioral Health) network of qualified providers. To be eligible for benefits under MH/SA, all care must be pre-authorized by the VBH network. Under the basic indemnity option, limited out-of-network MH/SA benefits are available. For those who elect HMO coverage, MH/SA benefits vary depending on each individual HMO.

Here are just the highlights of each of your medical plan options. More detailed information is available at your work location.

Reasonable and Customary (R&C)/Allowable Charges
This means the charge that the plan considers to be "reasonable and customary" (or "allowable") when compared with fees charged by other providers in your geographic area for the same or similar service or procedure. Amounts charged in excess of the R&C/allowable charges are your responsibility.

Your Medical Options at a Glance

Feature	Basic (Catastrophic) Indemnity**	Standard Indemnity**	POS		HMO
			In-Network	Out-of-Network**	In-Network***
Deductible Individual Family	 $ 750 $1,500	 $150 $300	 N/A	 $300 $900	 N/A
Out-of-Pocket Limit* Individual Family	 $2,500 $5,000	 $ 750 $1,200	 N/A	 $1,000 $3,000	 N/A
Office Visits	70%#	90%#	$10 copay	80%**# (routine preventive care not covered)	$10 copay
Hospital	70%^#	100%#	100%, no copay	80%**#	100%, no copay
Emergency Room	70%#	90%#	$25 copay	80%**#	$35/$50 copay+
Surgery Inpatient/ Outpatient	70%#	90%# 50%, no deductible	100%, $10 copay for specialist visit	80%**#	100%, no copay
Lab and X-Ray	70%#	100%	100%, no copay	80%**#	$10 copay
Preventive Care	No coverage	No coverage	$10 copay	No coverage	$10 copay
Lifetime Maximum	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited
Prescription Drugs	70%#	$5 generic $10 brand	$5 generic $10 brand	$5 generic $10 brand	$5 generic $10 brand

* Out-of-pocket limit — excluding deductible
^ Up to 120 days per year
# After deductible
+ Waived if admitted
^ Hearing exams and mammography are covered at 50% after deductible
** Benefits are based on allowable charges
*** Benefits are based on R&C charges
*** Limited out-of-network benefits are payable at 50% under Aetna US Healthcare after meeting a deductible of $1,000 ($3,000/family) up to an out-of-pocket limit of $10,000 ($30,000/family). For details, see plan information available at your work location.

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Mental Health/Substance Abuse Benefits

Feature	Basic (Catastrophic) Indemnity	Standard Indemnity	POS		HMO (AtlantiCare)	HMO (Aetna USHC)	
			In-Network	Out-of-Network		In-Network	Out-of-Network
Mental Health • Inpatient	No coverage	80% of VBH fees	80% of VBH fees	No coverage	No copay (30 day/yr max)	NJ/PA: no copay (max 35 days/yr) MD: no copay	MD/NJ/PA: 50% after deductible (30 day/yr max)
• Outpatient	No coverage	Visits 1-3, $0 copay Visits 4+, $10 copay No annual limit	Visits 1-3, $0 copay Visits 4+, $10 copay No annual limit	No coverage	$10 copay (20 visit/yr max)	MD: 1-5 visits/yr, $15/visit; 6-30 visits/yr, $25/visit; 31+ visits/yr, $35/visit NJ: $25/visit (20 visit/yr max) PA: $25 visit (20 visit/yr max)	MD/NJ/PA: 50% after deductible; $30/visit (60 visits/yr max)
Substance Abuse • Inpatient	No coverage	2 confinements up to a total of 60 days; 1 confinement may be for drug abuse	2 confinements up to a total of 60 days; 1 confinement may be for drug abuse	No coverage	No copay (30 days/yr max)	MD/NJ/PA: No copay (30 days/yr, 90 day lifetime max)*	MD/NJ/PA: 50% after deductible (30 days/yr, 90 day lifetime max)*
• Outpatient	50% of VBH fees 30 visit annual limit	Visits 1-3, $0 copay Visits 4+, $10 copay No annual limit	Visits 1-3, $0 copay Visits 4+, $10 copay No annual limit	50% of VBH fees 30 visit annual limit	$10 copay (20 visit/yr max)	MD/NJ/PA: 30 visits/yr*	MD/NJ/PA: 50% after deductible (30 visits/yr max)*
Provider Network: Utilization Review	May be any provider selected by employee; no preauthorization except medication checks; no concurrent review required	Provider must be from VBH network; all care must be preauthorized with concurrent review; re-authorization required	Provider must be from VBH network; all care must be preauthorized with concurrent review; re-authorization required	May be any provider selected by employee; no pre-authorization except medication checks; no concurrent review required	You must have a referral from your PCP	You must have a referral from your PCP	May be any provider selected by employee

* Combined (inpatient and outpatient) lifetime maximum of $50,000 for substance abuse (Aetna USHC).

MWW00242

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PRESCRIPTION BENEFITS

When you elect a medical plan option (except for the basic indemnity plan*), you automatically receive coverage under the prescription drug plan, administered by Caremark. This plan enables you to purchase prescription drugs at a retail pharmacy or through Caremark's mail order pharmacy service.

When you fill your prescription at one of Caremark's 51,000 participating pharmacies nationwide, you can receive up to a 30-day supply (up to 100 units) of your prescription drug. Some participating pharmacies include Acme, Eckerd, CVS, Happy Harry's, Pathmark, Rite-Aid and Wal-Mart.

In addition, the Caremark mail order pharmacy service provides a convenient and cost-effective way to order up to a 90-day supply of long-term or maintenance medication — for example, drugs to control chronic conditions such as high blood pressure or diabetes. Prescription drugs you order through the mail order service are mailed directly to your home.

NOTE: If you are currently taking maintenance medications, you will need to submit a new prescription to Caremark in order to take advantage of the mail order feature.

Your copay for each prescription — at the pharmacy or through the mail order service, is:

- $5 for generic drugs
- $10 for brand name drugs.

Under the plan, generic substitution is mandatory, unless your doctor indicates "dispense as written (DAW)" on the prescription.

Caremark will send you more information about participating pharmacies and the mail order program with your prescription card.

* The basic indemnity plan covers prescription drugs just like other medical expenses, at 70% subject to the annual deductible and coinsurance.

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DENTAL OPTIONS

You may choose:

- Basic Dental Plan
- Basic Plus Dental Plan
- High Option Dental Plan

BASIC DENTAL PLAN

This plan, administered by Delta Dental, pays 80% of R&C (Reasonable and Customary) charges for check-ups, teeth cleaning and periodontia services. The plan pays benefits according to a schedule for Basic and Major Restorative dental expenses. Under the schedule, the plan pays greater benefits for individuals covered as employees, and a lower level of benefits for individuals covered as dependents.

BASIC PLUS DENTAL PLAN

This plan pays benefits in the same way as the basic plan, except that benefits for dependents are paid under the same schedule as employees. This option is only available to employees who have dependents.

HIGH OPTION DENTAL PLAN

The high option dental plan, administered by Delta Dental, pays 100% of R&C charges for a routine exam and cleaning twice a year. If you go to a dentist who participates in the Delta Dental network, the plan pays 80% of R&C charges for covered Basic expenses and 50% of R&C charges for covered Major dental expenses. If you visit an out-of-network dentist, benefits are paid according to a schedule, which is generally higher than that of the basic options.

The chart at right lists typical reimbursements for a few common dental services.

Your Dental Options at a Glance					
Feature	Dependent Coverage Under...		Employee Coverage...	High Option	
	Basic Option	Basic Plus Option	Basic /Basic Plus	In-Network	Out-of-Network
Annual deductible Preventive Basic Major Orthodontics	 $0 0 0 $25/year	 $0 0 0 $25/year	 $0 0 0 $25/year	 $0 $25/$75* $25/$75* $50/lifetime	 $0 $25/$75 $25/$75 $50/lifetime
Preventive & diagnostic Periodic oral examinations Complete x-ray series Dental prophylaxis (adult) Topical application of sealant	80% R&C	80% R&C	80% R&C	100% R&C (No deductible)	100% R&C (No deductible)
Basic restorative Amalgam restorations: permanent teeth – one surface Root canal therapy: one canal not in conjunction with apicoectomy	$18** $151**	$20** $167**	$20** $167**	80% R&C	$24** $193**
Periodontics Gingival curettage, per quadrant Periodontal scaling & root planing per quadrant	80% R&C	80% R&C	80% R&C	80% R&C	$52** $58**
Oral surgery Simple extraction Surgical extraction: soft tissue impaction	$20** $47**	$22** $52**	$22** $52**	80% R&C	$26** $67**
Major restorative Crowns – single restorations: Porcelain with gold Cast gold – full	$211** $187**	$230** $204**	$230** $204**	50% R&C	$275** $251**
Orthodontics Preliminary study, first month of active treatment Treatment after first month	75% R&C	75% R&C	75% R&C	75% R&C	$459 $50/mo
Annual benefit maximum Orthodontics	$1,500 $2,000/lifetime	$1,500 $2,000/lifetime	$1,500 $2,000/lifetime	$1,500 $2,000/lifetime	$1,500 $2,000/lifetime

* Single deductible for both basic and major services: $25 for individual, $75 for family.
** These figures are the amounts payable as a scheduled benefit.

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VISION CARE OPTIONS

Your vision care options are:

- Basic Option
- Standard Option
- High Option

If you or your family members need eyeglasses or contact lenses, you know how expensive they can be. That's why Conectiv is pleased to offer three vision care options under *Conectiv Flex*, giving you the flexibility to elect the plan that meets your needs.

Under all of the vision options, you may receive benefits for eyeglasses or contact lenses, but not both.

FOR THE STANDARD AND HIGH OPTIONS, YOU HAVE TO CALL 1-800-432-4966 FOR A BENEFIT FORM BEFORE SEEKING ANY SERVICES.

Your Vision Care Options at a Glance

Feature	Basic Option	Standard Option		High Option°	
Vision Exam	1 every 24 months	1 every 12 months		1 every 12 months	
Lenses	1 pair/12 months	1 pair/12 months		1 pair/12 months	
Frames	1 every 12 months	1 every 24 months		1 every 12 months	
Copayment/ Deductible	None	$10*		$5*	
		In-Network	Out-of-Network	In-Network	Out-of-Network
Vision exam	$40	100%	$35	100%	$35
Clear lenses					
single vision	$20	100%	$20	100%	$20
bifocal	$30	100%	$30	100%	$30
trifocal	$40	100%	$40	100%	$40
lenticular	$50	100%	$80	100%	$80
Frames	$14	100%–	$24	100%	$24
Or contact lenses					
in lieu of glasses	$30^	$100**	$100**	$125**	$125**
medically required	$160^	UCR**+	$250	UCR**+	$250

* Applies to the cost of lenses and/or frames but not to the exam or contacts
° Includes coverage for items like tints, photogreys, scratch coating and UV coating
\+ Usual, customary and reasonable, as determined by VBA
^ Per lens
** Includes the vision exam allowance
– Within the plan's $40 wholesale allowance (approximately $90 retail)

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LIFE INSURANCE OPTIONS

While you work, your paycheck provides for your own day-to-day needs and possibly for the needs of others. But if your paycheck stops because of your death or dismemberment, your loved ones could face serious financial problems. Your *Conectiv Flex* program features a variety of life and accidental death and dismemberment (AD&D) insurance choices, giving you the flexibility to provide your family with the financial security they need.

Plus, *Conectiv Flex* gives you the opportunity to select from a range of dependent life and AD&D coverage options.

Since we all have different benefit needs, with *Conectiv Flex*, you have the opportunity to choose the level of coverage that's right for you and your family.

YOUR EMPLOYEE LIFE INSURANCE OPTIONS

Your life insurance options are:	To a maximum of:
$20,000	$20,000
$50,000	$50,000
1 x pay	$116,667
2 x pay	$233,333
3 x pay	$350,000
4 x pay	$466,667
5 x pay	$583,333

Under *Conectiv Flex*, you have several life insurance options from which to choose. To provide you with a basic level of protection, Conectiv provides you with life insurance coverage equal to two times pay (to a maximum of $233,333), at no cost to you. Aetna US Healthcare administers your life insurance plan.

If you elect the $20,000, $50,000 or 1 x pay option, you may have money left over to take in your paycheck as taxable cash. If you feel you need more than the 2 x pay option provided by Conectiv, you may purchase additional coverage, up to 5 x pay. The cost to you is based on your annualized salary and on your age.

The amount of your coverage is based on your previous year's W-2 form, and is rounded according to insurance company rules. If you are a new hire or have less than one full calendar year of service, your coverage amount will be based on your annualized starting salary.

Your coverage amount will not increase or decrease during the year if your salary amount increases or

Evidence of Insurability (EOI)

Under insurance company rules, you are required to submit evidence of insurability if you want to increase your life insurance or AD&D coverage by more than 1 x pay. At this enrollment, you can elect up to 3 x pay with no EOI. An EOI form is in the back pocket of this booklet. You may enroll for a lower amount of coverage with no restriction.

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Is Your Current Life Insurance Assigned?

If your current life insurance is assigned (ownership of the insurance is assigned to another person or to an irrevocable trust for tax purposes) and you want that assignment to continue, you must contact the HRSC.

Beneficiary Designation Update

This may be a good time to update your beneficiary information. The change form is in the back pocket of this decision kit. Complete and return it to HRSC.

decreases. Note that coverage is reduced when you reach age 65, and when you retire.

Your contributions for life insurance up to $50,000 are paid on a before-tax basis. Contributions for coverage in excess of $50,000 are paid on an after-tax basis.

ACCIDENTAL DEATH AND DISMEMBERMENT (AD&D) INSURANCE

Your AD&D options are:	To a maximum of:
No coverage	——
$20,000	$20,000
$50,000	$50,000
1 x pay	$116,667
2 x pay	$233,333
3 x pay	$350,000
4 x pay	$466,667
5 x pay	$583,333

Under *Conectiv Flex* you may elect AD&D coverage between $20,000 and 5 x pay. Conectiv automatically provides you with AD&D coverage equal to 2 x pay, at no cost to you. If you elect a lesser amount of AD&D coverage, you may have dollars left over that you can take in your paycheck as taxable cash. If you elect a greater amount of coverage, your contributions are deducted from your pay on a *before-tax* basis.

The cost is based on your salary. See the life insurance section to see how your coverage amount is determined. Your AD&D coverage is administered by Aetna US Healthcare. Note that your coverage amount is reduced when you reach age 65.

DEPENDENT LIFE AND AD&D INSURANCE OPTIONS

Conectiv Flex gives you the flexibility to elect life and AD&D insurance for your spouse and children. No evidence of insurability is required. Aetna US Healthcare administers this coverage.

Dependent Life Insurance

You may elect...

For Your Spouse	For Your Child(ren)
No coverage	No coverage
$5,000	$2,500
$10,000	$5,000

If you elect this coverage, you pay the cost through after-tax payroll deduction. You pay one contribution for eligible child(ren)'s coverage, regardless of how many children you have.

Dependent AD&D

You may elect...

For Your Spouse	For Your Child(ren)
No coverage	No coverage
$50,000	$5,000
$100,000	$10,000
$150,000	$15,000

If you elect AD&D coverage for your spouse and/or child(ren), you pay the cost through *before-tax* payroll contributions. No evidence of insurability is required for any level of coverage.

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REIMBURSEMENT ACCOUNTS

Beginning January 1, 1999, you'll be able to choose:

- Health Care Reimbursement Account (HCRA), and/or
- Dependent Care Reimbursement Account (DCRA)
- No participation

Under IRS rules, the Health Care and Dependent Care Reimbursement Accounts are administered on a calendar year basis. Therefore, no HCRA or DCRA elections will be made at this time. You will have an opportunity to make HCRA and DCRA elections during the fall open enrollment for participation beginning January 1, 1999.

With a little advance planning, the *Conectiv Flex* Reimbursement Accounts can be a valuable addition to your benefit program. Conectiv's reimbursement accounts are optional benefits that let you save taxes on money you spend for certain health care and dependent care expenses. You don't pay federal income, Social Security, or Medicare taxes (and, in most cases, state income taxes) on amounts you contribute to the HCRA and DCRA. This means you pay less in taxes and can increase your spendable income when you pay eligible expenses through the accounts.

HOW REIMBURSEMENT ACCOUNTS WORK

Reimbursement Accounts are a tax-*free* way to pay for certain health care and dependent care expenses. During the fall open enrollment, you will be able to set up one or both reimbursement accounts — or, you will be able to choose not to participate in the reimbursement accounts at all.

- You use a health care reimbursement account (HCRA) to pay health care expenses not reimbursed through another benefit plan, such as your medical, dental and vision plans.
- The dependent care reimbursement account (DCRA) covers eligible expenses for the care of a child (or a disabled dependent of any age) while you work. (Note for Delmarva employees: Formerly called "Child Care Voucher.")

You decide how much to deposit into each account. The amount you choose is deducted from each paycheck and set aside in your account(s). When you have a bill for one of these qualified expenses, you pay it as usual. Then you submit a claim for reimbursement from the money you've set aside in your account, and the money is reimbursed to you, tax free.

You will receive more information before the fall enrollment.

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PREPARING TO MAKE YOUR *CONECTIV FLEX* CHOICES

This section of your decision kit is specially designed to help you make your benefit choices and enroll in the program. In this section you will find:

- a list of issues you'll want to consider before you make your elections,
- sample Personal Fact Sheet to help you make your elections, and
- step-by-step instructions for enrolling in *Conectiv Flex* by phone.

Be sure you understand the *Conectiv Flex* program before choosing your options. The benefit comparison charts in the medical, dental and vision sections and the "options at a glance" chart in this section may also be of help to you. Use your *Conectiv Flex* Personal Fact Sheet to make your selections before you enroll by phone. After reading your decision kit, if you have questions or need additional information, contact the Conectiv Human Resources Service Center.

ISSUES TO CONSIDER BEFORE MAKING YOUR CHOICES

Medical Plan—To help you decide which medical plan option to choose, review your medical expenses for the last year, and weigh your need for protection against the cost of coverage.

You will find that the POS option provides a high level of benefits when you use your primary care physician to coordinate all of your care. That's because your PCP will get to know you and make sure that the health care you receive is appropriate and coordinated. Preventive benefits are available after you pay a copay.

On the other hand, if having more freedom to choose your own doctors and other health care providers is important to you, you may be willing to pay a higher up-front cost for the standard indemnity plan.

Choose the basic (catastrophic) indemnity plan *only* if you have other coverage, or if you think you can afford the deductible and coinsurance. Remember, benefits under this plan are generally payable only in the case of an unexpected, catastrophic illness.

Because of its preventive care benefits, an HMO may be right for you if you are generally healthy, and if you have young children who need to visit the doctor fairly regularly. You may also want to elect the HMO if your regular family doctor belongs to the HMO network — or if you do not have a regular family doctor.

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Before you make your decision about medical coverage, ask yourself:

- How healthy am I? How healthy are my dependents?
- Am I expecting any major health care expenses in 1998-99 — for example, a new baby?
- Does my spouse have medical coverage provided by an employer and has he or she signed up for it?
- How much would it cost for my spouse to cover me under his or her employer's plan?
- How does my spouse's medical plan compare with the option I'm considering?
- How much in medical expenses (such as deductibles and copayments) can I afford to pay out of my own pocket?
- Is my doctor part of the POS or HMO network? If not, am I willing to change doctors?

Dental Plan — Review your dental expenses for the last year, and ask yourself:

- How much do I generally pay for oral exams or cleanings?
- Do I generally have significant dental expenses?
- Can I afford to pay for unexpected dental costs out of my own pocket?
- Can my spouse cover me through his or her dental plan at work? At what cost?

Vision—If you or any of your covered family members need corrective lenses, the Vision Plan offers significant savings for you.

- Do my family and I generally have significant vision care expenses?

Life and AD&D Insurance—You'll need to decide how much life insurance protection you need. If you have life insurance coverage elsewhere, you may want to elect the $20,000 or $50,000 option. If you are single with no dependents, one times pay may be enough for you. But if your family depends on your income, you may want additional life insurance coverage.

Ask yourself:

- What portion of regular family living expenses does my pay cover?
- Who depends on me for support — now and in the future?
- What debts (such as a mortgage) might my family be responsible to pay if I die?
- What about education expenses for my children?
- Would my family have any other sources of survivor income (such as individual life insurance policies, personal savings)?

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Dependent Life and AD&D Insurance — Ask yourself:

- What expenses would I have if my spouse or child were to die?
- What resources do I have to pay these expenses?
- What other family life insurance coverages do I have?
- What are the ages, health and other risk factors of my spouse and/or children?

Life Insurance Worksheet

Use the worksheet below to estimate the amount of life insurance you need.

Estimated Expenses – Life Insurance	
Enter your family's total annual estimated living expenses multiplied by the estimated number of years these expenses would need to be covered if you die	$________
Plus major debts, such as your mortgage	$________
Plus anticipated children's education costs	$________
TOTAL	$________
Multiply your total above times the percentage of family income you provide	X________
Total survivors' income needs	$________
Subtract estimated death benefits from any other source	-________
TOTAL LIFE INSURANCE PROTECTION NEEDED	$________

Your 1998-99 *Conectiv Flex* Benefit Options at a Glance

Medical	POS Standard Indemnity Plan Basic (Catastrophic) Indemnity Plan HMO	
Dental	Basic Option Basic Plus Option High Option	
Vision	Basic Option Standard Option High Option	
Employee Life Insurance	$20,000 $50,000 1 x pay 2 x pay 3 x pay 4 x pay 5 x pay	*To a maximum of:* $20,000 $50,000 $116,667 $233,333 $350,000 $466,667 $583,333
Employee AD&D (Accidental Death & Dismemberment)	No coverage $20,000 $50,000 1 x pay 2 x pay 3 x pay 4 x pay 5 x pay	*To a maximum of:* — $20,000 $50,000 $116,667 $233,333 $350,000 $466,667 $583,333
Dependent Life Insurance	Spouse No coverage $5,000 $10,000	Child No coverage $2,500 $5,000
Dependent AD&D	Spouse No coverage $50,000 $100,000 $150,000	Child No coverage $5,000 $10,000 $15,000

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Got Questions About Total Rewards? Need Help?

Call the Conectiv Human Resource Service Center—HRSC

Getting prompt, confidential answers to your Total Rewards questions is as easy as dialing 1-800-201-4718.

Hours for HRSC are 7:30 a.m. to 5:30 p.m., Monday through Friday.

Then It's As Easy As 1-2-3-4-0

When you dial 1-800-201-4718, you will be given the following five options:

- *Press 1* for a list of carriers and their phone numbers.
- *Press 2* if you want to enroll for *Conectiv Flex* (you'll be transferred to FlexPhone).
- *Press 3* for the HRSC fax numbers and mailing address.
- *Press 4* for the HRSC e-mail address.
- *Press 0* if you want to speak to a Service Center Representative.

If you Press 0, the Service Center Representative who answers your call will ask you to identify yourself – for example, by providing your Social Security number – in order to assure confidentiality.

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ENROLLING IN *CONECTIV FLEX*

Your *Conectiv Flex* Personal Fact Sheet, included with this decision kit, contains information about your flexible benefit options and costs. On your Fact Sheet, circle the options and coverage levels you want.

Also check all Dependent Data at the end of your Fact Sheet, and circle the dependents you want covered under specific plans. You will need to enter this information at the same time you enroll for your flexible benefits.

To receive the benefits
you want for 1998/99
Call FlexPhone
May 18 to Midnight, May 31st
24 hours a day
1-800-451-8026

IF YOU FAIL TO ENROLL...

If you fail to enroll for your 1998-99 benefits by midnight, May 31st, you will receive the following default benefits:

Standard indemnity medical plan, basic option dental and standard option vision plan for you ONLY; 2 x pay employee life and AD&D insurance; no dependent life and AD&D coverage. Your current HCRA and DCRA (formerly Child Care Voucher for Delmarva employees) election (if applicable) will continue.

Note: This default provision does not mean that you will continue with your current coverage if you do not enroll.

ENROLLING THROUGH FLEXPHONE

Everyone must enroll by FlexPhone.

First, check the Dependent Data at the end of your Personal Fact Sheet. *If you want to cover any of your dependents, you will have to enter that information at the time you enroll using FlexPhone.* Look for a Dependent Worksheet in the back pocket of this booklet. It explains how to enter dependent information using a touch-tone phone.

Second, complete your Personal Fact Sheet. Once you are satisfied that all your choices are final, you're ready to call the FlexPhone enrollment system. Try to call when you have about ten minutes of uninterrupted time.

For quick and easy enrollment, keep your Fact Sheet and Dependent Worksheet (if you're entering dependent data) in front of you as you enroll. You will need the information you filled out on your Fact Sheet plus your Social Security Number and PIN, both printed at the top of your Fact Sheet, in order to enroll. Do not mail in your Personal Fact Sheet.

- Call FlexPhone 24 hours a day (1-800-451-8026) from any touch-tone phone.
- When you call, the FlexPhone system will prompt you through the enrollment process. The system will repeat to you each election you make and will ask for your verification.

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- If at any time during the enrollment period you would like to change or confirm your elections, you can call the FlexPhone system.
- You will receive a confirmation statement verifying your benefit choices after the first week in June.

Qualifying Life Event

Every year, during the annual enrollment period, you'll have an opportunity to make new benefit choices for the following plan year (July 1 to June 30). Under IRS rules, you may change or cancel benefit coverage for yourself or your family members during the plan year *only* in the case of a "qualifying life event." A qualifying life event includes:

- marriage or divorce,
- birth or adoption of a child,
- your spouse gaining or losing coverage because of a change in employment,
- death of a family member,
- change in employment status,
- relocation out of POS or HMO service area.

To make a change in your coverage because of a qualified life event, you *must* contact the HR Service Center within 30 days of the change or you will need to wait until the next open enrollment.

- To complete the process of enrolling in the POS or an HMO, you will need to select a primary care physician on the form in the pocket of this kit and return it to the HRSC. POS and HMO information and provider directories are available at your work location.
- If your life insurance election requires evidence of insurability (EOI), please complete the evidence of insurability form in the pocket of this folder and return it to the HRSC. Your higher coverage will not go into effect until your EOI has been approved.

MAKING CHANGES

You may call FlexPhone to make changes during the enrollment period as many times as you wish until the end of the enrollment period — 12:00 midnight, May 31, 1998. Each time you call, you will be asked to enter your Social Security Number and PIN, which is on your Personal Fact Sheet.

Remember, the elections you make now will be effective from July 1, 1998, through June 30, 1999, and cannot be changed except in the case of a qualifying life event, as explained to the left.

SAMPLE, JANE
200 Main Street
EGG HARBOR, NJ 08215

conectiv

1998-99 Conectiv Flex

Your Personal Fact Sheet

Please refer to your Decision Kit for a completed sample Personal Fact Sheet.

Personal Information

Name:	JANE SAMPLE
Social Security No.:	665-66-6666
Birth Date:	03/19/1941
Benefit Status:	Full-Time
Pay Frequency:	Weekly
Effective Date:	07/01/1998
Marital Status:	Married
Management Level:	Management

FlexPhone Telephone Enrollment Line is 1-800-451-8026

Your PIN is 0319

Your Enrollment Deadline is 05/31/1998

If you do not enroll by your enrollment deadline

YOU WILL RECEIVE	YOU WILL NOT RECEIVE
Standard Indemnity Medical for you only	Spouse Life coverage
Basic Dental for you only	Child Life coverage
Standard Vision for you only	Spouse AD&D coverage
Employee Life coverage of 2 times pay	Child AD&D coverage
Employee AD&D coverage of 2 times pay	

Circle your Option and Coverage Code choices, then call FlexPhone to enter your choices.

(01) Medical Plan

Per Pay Period Price — Coverage codes

Option Codes		(1) Employee Only	(2) Employee + Spouse	(3) Employee + Child(ren)	(4) Employee + Family
(01)	Basic Indemnity	$ (4.82)	$ (4.82)	$ (4.82)	$ (4.82)
(02)	Standard Indemnity	$ 9.23	$ 16.38	$ 16.38	$ 22.82
(03)	BCBS POS	$ 8.31	$ 14.77	$ 14.77	$ 20.31
(04)	Principal POS - DE, MD	$ 6.92	$ 14.54	$ 14.54	$ 19.62
(05)	AtlantiCare HMO - New Jersey	$ 6.46	$ 13.38	$ 12.46	$ 20.08
(06)	Aetna US Healthcare HMO - Philadelphia	$ 6.46	$ 14.54	$ 12.23	$ 19.15
(07)	Aetna US Healthcare HMO - New Jersey	$ 6.92	$ 14.54	$ 13.15	$ 21.23
(08)	Aetna US Healthcare HMO - Central PA	$ 5.31	$ 12.00	$ 10.15	$ 15.92
(09)	Aetna US Healthcare HMO - Maryland	$ 6.92	$ 14.31	$ 14.31	$ 19.15

If you are making a new HMO or POS election, you must complete the Primary Physician Information Sheet contained in your Decision Kit.

(02) Dental Plan

Per Pay Period Price — Coverage codes

Option Codes		(1) Employee Only	(4) Employee + Family
(01)	Basic	$ 0.00	$ 0.00
(02)	Basic Plus	$ N/A	$ 0.65
(03)	High	$ 1.62	$ 3.89

(03) Vision Plan

Per Pay Period Price — Coverage codes

Option Codes		(1) Employee Only	(4) Employee + Family
(01)	Basic	$ (0.23)	$ (0.23)
(02)	Standard	$ 0.00	$ 0.00
(03)	High	$ 1.15	$ 2.31

Continue to other side

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(04) Employee Life Insurance

Option Codes		Per Pay Period Price
(01)	$20,000	$ (12.47)
(02)	$50,000	$ (9.22)
(03)	1 times pay ($ 67,500)	$ (7.32)
(04)	2 times pay ($135,000)	$ 0.00
(05)	3 times pay ($202,500)	$ 7.32
* (06)	4 times pay ($270,000)	$ 14.64
* (07)	5 times pay ($337,500)	$ 21.96

* Evidence of insurability is required for these options.

(05) Spouse Life Insurance

Option Codes		Per Pay Period Price
(00)	No Coverage	$ 0.00
(01)	$5,000	$ 0.40
(02)	$10,000	$ 0.81

(06) Child Life Insurance

Option Codes		Per Pay Period Price
(00)	No Coverage	$ 0.00
(01)	$2,500 per child	$ 0.08
(02)	$5,000 per child	$ 0.12

(07) Employee AD&D

Option Codes		Per Pay Period Price
(00)	No Coverage	$ (0.78)
(01)	$20,000	$ (0.66)
(02)	$60,000	$ (0.49)
(03)	1 times pay ($ 67,500)	$ (0.39)
(04)	2 times pay ($135,000)	$ 0.00
(05)	3 times pay ($202,500)	$ 0.39
* (06)	4 times pay ($270,000)	$ 0.78
* (07)	5 times pay ($337,500)	$ 1.17

* Evidence of insurability is required for these options.

(08) Spouse AD&D

Option Codes		Per Pay Period Price
(00)	No Coverage	$ 0.00
(01)	$50,000	$ 0.20
(02)	$100,000	$ 0.39
(03)	$150,000	$ 0.59

(09) Child AD&D

Option Codes		Per Pay Period Price
(00)	No Coverage	$ 0.00
(01)	$5,000 per child	$ 0.02
(02)	$10,000 per child	$ 0.04
(03)	$16,000 per child	$ 0.06

Your 1998 reimbursement account election(s) will continue through 12/31/1998.

(10) Health Care Reimbursement Account

Your 1998 contribution amount is $0.00.
You are not eligible to change your election.

(11) Dependent Care Reimbursement Account

Your 1998 contribution amount is $0.00.
You are not eligible to change your election.

A positive result will be deducted from your pay each pay period. A negative result will be returned to you each pay period as taxable pay.

Total positive Per Pay Period Prices (dollar amounts not in parentheses)	16.38
LESS total negative Per Pay Period Prices (dollar amounts in parentheses)	(8.10)
RESULT	8.28

You can add or correct dependent data by calling FlexPhone. REMEMBER, you must use FlexPhone to enroll your dependents in Medical, Dental, or Vision coverage.

Dependent Data

No.	Name	Soc Sec No.	Birth Date	Relationship	Gender	Medical Covg?	Dental Covg?	Vision Covg?
01	SAMPLE, SPOUSE	111-11-1111	11/06/1967	Spouse	M	N	N	N
02	SAMPLE, CHILD 1	222-22-2222	06/08/1990	Child	M	Y	N	N
03	SAMPLE, CHILD 2	333-33-3333	08/07/1993	Child	F	Y	N	N

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